

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
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LIMITED OFFICIAL USE SECTION 01 OF 02 MOSCOW 19200

E.O. 11652: N/A
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SUBJECT: PROBLEMS IN UTILIZATION OF NEW SOVIET INDUSTRIAL
CAPACITY

SUMMARY: TWO MIDDLE LEVEL GOSPLAN OFFICIALS DESCRIBE
THE PROBLEMS IN GETTING NEW INDUSTRIAL PLANT INTO
OPERATION AND UP TO DESIGN CAPACITY AND STANDARD FOR
LABOR PRODUCTIVITY. ONLY 38 PERCENT OF NEW PLANTS BE-
COME FULLY OPERATIONAL IN THE FIRST YEAR AFTER COMM-
ISSIONING WITH AN ADDITIONAL 27 PERCENT IN THE SECOND
YEAR, BUT 21 PERCENT NOT UNTIL THE FIFTH YEAR. EXCESSIV
LABOR FORCE IS ALSO A SIGNIFICANT PROBLEM. IN PLANTS
INVESTIGATED IN THE AUTO INDUSTRY IT RAN 10 PERCENT,AND
IN THE PAPER INDUSTRY, 18 PERCENT. ABOUT HALF OF ALL
ENTERPRISES OPERATE AT 70-95 PERCENT OF CAPACITY, ONE-
THIRD ARE ABOVE 95, AND THE REST ARE BELOW 70. AGAIN,
THE RESPONSE IS TO MAKE THE NORMS TIGHTER, A RESPONSE
THAT DOES NOT MEET IMMEDIATE PROBLEMS OF INPUT SHORTA GE
END SUMMARY.

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1. WRITING IN SOTSIALISTICHESKAYA INDUSTRIYA AUGUST 8,
GOSPLAN CHIEF OF SUBSECTION E. IVANOV AND SENIOR EXPERT
A. LAVROV HIGHLIGHT THE DIFFICULTIES BEING EXPERIENCED
BY SOVIET INDUSTRY IN PUTTING NEW CAPACITY INTO OPERATION
STRESSING THAT NEW ENTERPRISES CONSTITUTE BOTH A LARGE
SHARE OF THE SOVIET INDUSTRIAL BASE AND A LARGE

SHARE OF ENTERPRISES OPERATING BELOW 95 PERCENT CAPACITY
THEY CITE USSR CENTRAL STATISTICAL ADMINISTRATION
FIGURES WHICH SHOW THAT ONLY 38 PERCENT OF NEW PLANTS
BECOME FULLY OPERATIONAL WITHIN THE FIRST
YEAR, 27 PERCENT WITHIN THE SECOND, AND 14 WITHIN THE
THIRD AND 21 PERCENT NOT EARLIER THAN IN THE FIFTH YEAR.
THEY ALSO WRITE THAT NEW PLANTS HAVE PERFORMED BADLY IN
ACHIEVING THEIR PRODUCTIVITY AND LABOR FORCE PARAMETERS.
FOR EXAMPLE, ONE OUT OF FIVE NEW PLANTS UNDER THE
MINISTRY OF THE PAPER INDUSTRY, ARE OF THREE OF THESE
UNDER THE MINISTRY OF HEAVY CONSTRUCTION AND THE MIN-
ISTRY OF THE AUTOMOBILE INDUSTRY, AND 40 PERCENT OF THOSE
UNDER THE MINISTRY OF THE CONSTRUCTION MATERIALS INDUSTRY
HAVE NOT ACHIEVED THEIR PRESCRIBED PRODUCTIVITY LEVELS.

2. IN ADDITION TO QUESTIONS OF PRODUCTIVITY THERE ARE
PROBLEMS ABOUT THE SIZE OF THE LABOR FORCE IN VARIOUS
PLANTS. THE AUTHORS SAY IT IS CHARACTERISTIC FOR MANY
ENTERPRISES IN THESE INDUSTRIES TO EMPLOY MORE WORKERS
THAN NECESSARY (NADO). FOR EXAMPLE, IN 15 PLANTS UNDER
THE MINISTRY OF THE AUTOMOBILE INDUSTRY INVESTIGATED IN
1977, ONE OUT OF EVERY 10 WORKERS (7381 ALTOGETHER) WERE
ABOVE THE PRESCRIBED "LIMIT", AND IN 64 PLANTS UNDER THE
MINISTRY OF THE PAPER INDUSTRY, LABOR SUPPLY EXCEEDED
THE LEVEL ALLOWED BY 18 PERCENT OR 2129 PERSONS.

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3. THE FAILURE TO UTILIZE NEW CAPACITY FULLY RESULTED IN
CONSIDERABLE LOSSES TO THE ECONOMY IN 1977. ACCORDING
TO THEIR FIGURES, OVER 10 MILLION TONS OF FERTILIZER,
10 MILLION TONS OF STEEL PIPE, OVER 150 TONS OF PLASTICS
800 THOUSAND TONS OF TIRE COVER, AND 120 MILLION SQUARE
FEET OF UNBLEACHED COTTON FABRIC WERE NOT PRODUCED. AT
THE SAME TIME CONSIDERABLE AMOUNTS OF LACQUER-PAINT,
SYNTHETIC RESIN, AND BOXES WERE NOT PRODUCED, SINCE ONLY
57.4, 60 AND 68 PERCENT OF THE NEW CAPACITY FOR THESE
PRODUCTS, RESPECTIVELY, WAS OPERATIONAL.

4. THE AUTHORS PROVIDE A BREAKDOWN OF THE REASONS FOR
DELAYS IN ACHIEVING FULL UTILIZATION OF NEW CAPACITY:
(FIGURES DO NOT SUM TO 100 PERCENT)

PERCENT OF CASES REASON

15-----SHORTAGE OF RAW MATERIALS AND
MATERIALS
13-14-----SHORTAGE OF ELECTRICITY, FUEL
WATER, GAS
11-12-----SHORTAGE OF SKILLED STAFF
10-----LOW SALES DUE FREQUENTLY TO SUB

STANDARD QUALITY

9-----DEFECTIVE EQUIPMENT

9-----LOW LEVEL OF PRODUCTION ORGAN-
IZATION.

5. THE SOLUTIONS MENTIONED BY THE AUTHORS ARE NOT
RESPONSIVE TO THE ABOVE BREAKDOWN OF THE CAUSES OF UN-
DERUTILIZATION OF NEW PLANTS. IVANOV AND LAVROV STATE
THAT NEW NORMS HAVE BEEN ESTABLISHED FOR THE LENGTH
OF THE PERIOD IN WHICH NEW CAPACITY IS TO BE BROUGHT ON
STREAM. FOR NEW ENTERPRISES AND PLANT THE PERIOD HAS
BEEN REDUCED 11 PERCENT, AND WITH RECONSTRUCTED PLANTS
INCLUDED, THE PERIOD HAS BEEN REDUCED 25 PERCENT, FROM

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12.4 MONTHS TO 9.3 MONTHS. AT THE SAME TIME, THE NORM
FOR VOLUME OF PRODUCTION TO BE ACHIEVED IN THE FIRST
YEAR HAS BEEN INCREASED BY 5 TO 20 PERCENT. THEY ALSO
MENTION THE RECENT CENTRAL COMMITTEE/COUNCIL OF
MINISTERS DECREE (REFTEL), IN WHICH THE METAL WORKING
INDUSTRY IS TASKED WITH INCREASING THE PRODUCTIVITY PER
WORK SHIFT OF MACHINE TOOLS BY 20 TO 30 PERCENT DURING
THE COURSE OF THE 10TH FIVE YEAR PLAN. BUT THEY DO NOT
DEAL WITH SHORTAGES OF INPUTS.

6. SUCH PROBLEMS ARE, OF COURSE, NOT CONFINED TO
NEW PLANTS. THE AUTHORS STATE THAT ONE-THIRD OF ALL
ENTERPRISES OPERATE AT OVER 95 PERCENT OF CAPACITY, BUT
SOMEWHAT LESS THAN HALF OPERATE AT 70.1 TO 95 PERCENT OF

CAPACITY AND THE REST ARE LOWER THAN THAT. TOON

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